



**Medicaid Forum:
The Importance
of a
Responsible
Budget
April 9, 2003**





IN Budget Overview Expenditures

	<u>FY04</u>		<u>FY05</u>	
1. K-12 Education	\$4.31B	38%	\$4.32B	38%
2. Property Tax Relief	\$2.12B	19%	\$2.22B	19%
3. Higher Education	\$1.40B	12%	\$1.39B	12%
4. Medicaid	\$1.34B	12%	\$1.45B	13%
5. Corrections	\$.59B	5%	\$.61B	5%
TOTAL		86%		87%



IN Budget Overview Revenue

DECEMBER '02 FORECAST

GENERAL FUND

FY02

FY03

FY04

FY05

(No PTRF)

\$7.097B

\$7.184B

\$7.187B

\$7.487B

+87.6M

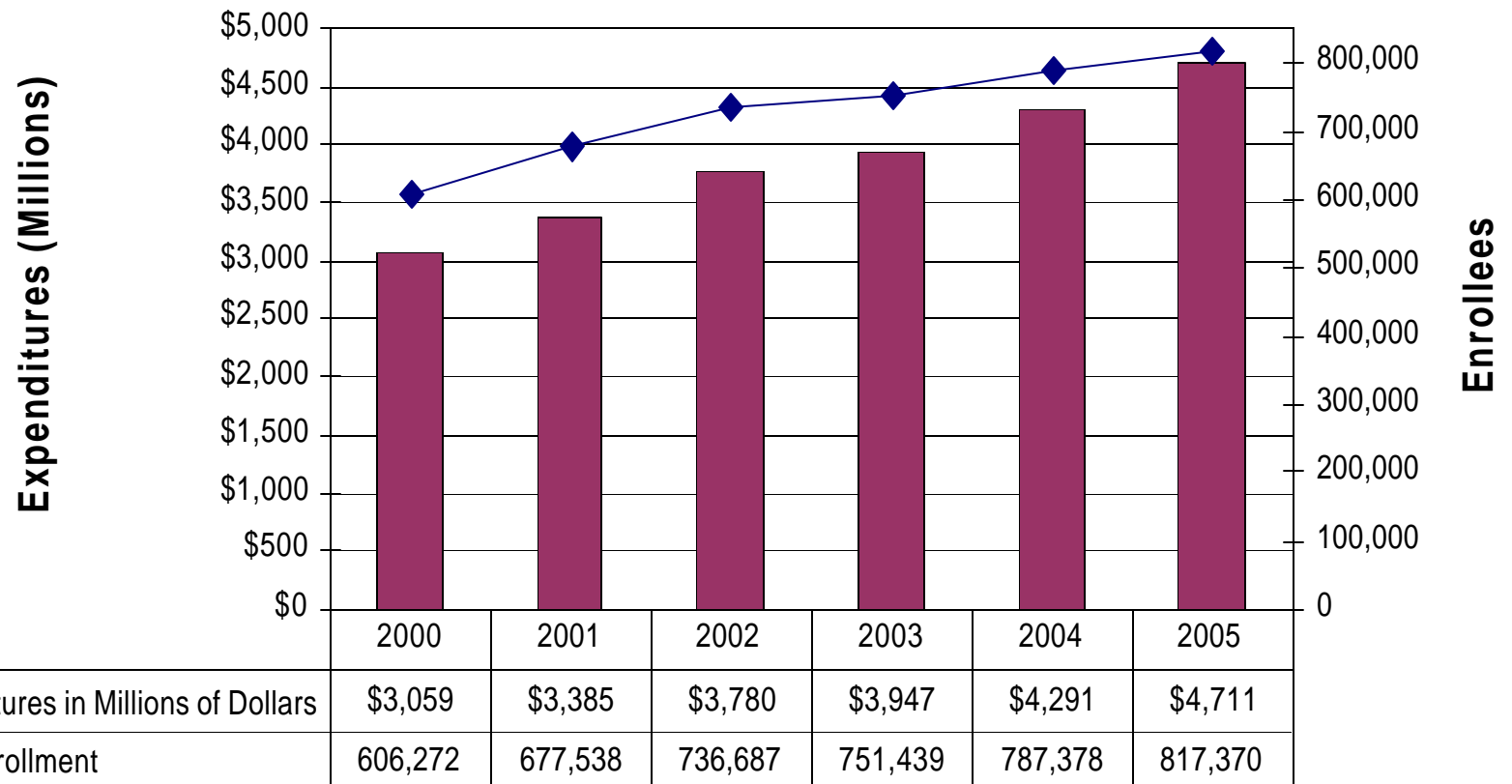
+3M

+300M

TOTAL MEDICAID EXPENDITURES AND ENROLLMENT TRENDS

State Fiscal Year 2000 thru 2005

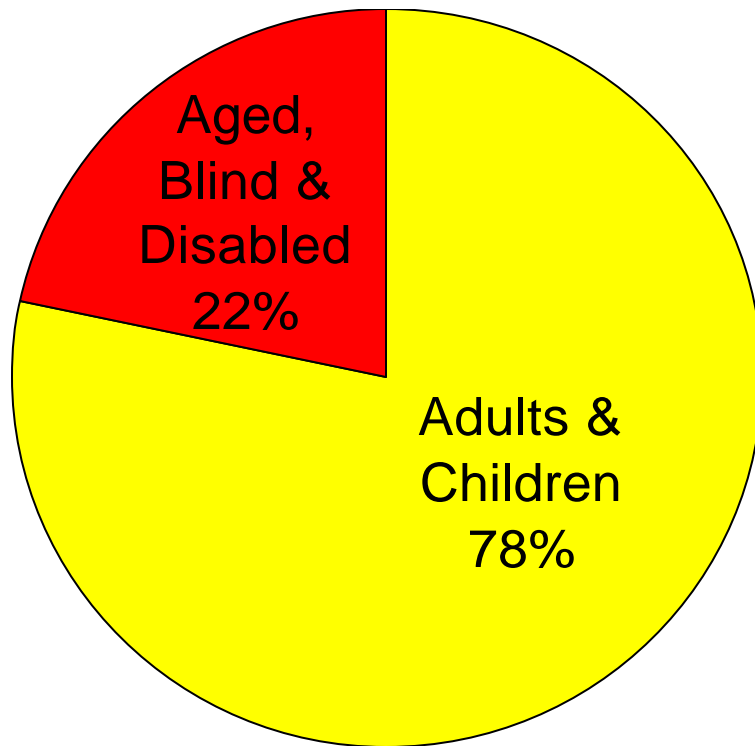
June Enrollment



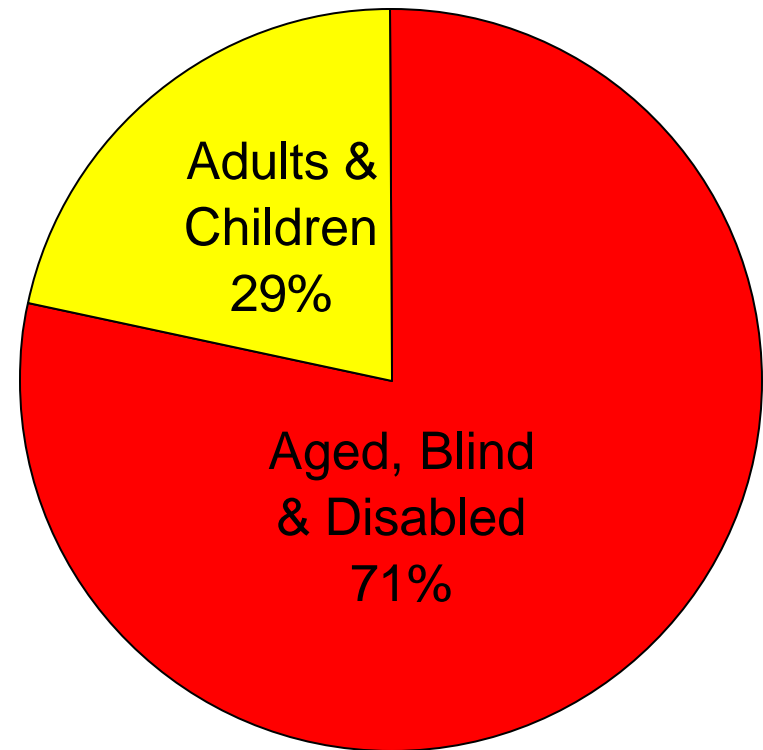


Whom Does Medicaid Serve?

Recipients



Expenditures



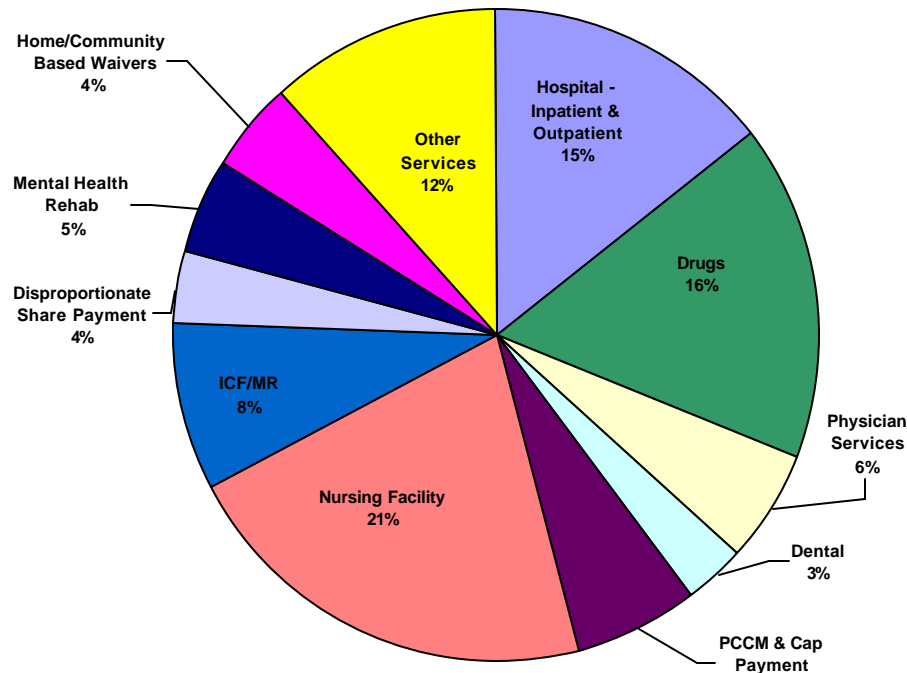


Whom Does Medicaid Serve?

- Medicaid Enrollment Projection for FY05 is 817,370, or 1 in every 7 Hoosiers, including more than 1 in every 4 children
- Average Per Member monthly costs (state and federal):
 - Children* \$129
 - Adult* \$268
 - Aged* \$399
 - Aged – nursing home \$1,058
 - Blind & Disabled* \$853

Note: SFY 2002, net of pharmacy rebates. * Indicates non-long term care costs.

Where Does the Medicaid \$\$ Go?



Note: Other includes Chiropractic Services, Podiatrist, Hospice, Optometric, Optician, Lab, and X-Ray

EXPENDITURE BY TYPE OF PROVIDER

	\$ Millions	Percent of Total Expendi tures
Nursing Home	\$844	21%
Pharmacy	\$649	16%
Hospitals	\$576	15%
ICF-MR	\$333	8%
Capitation and PCCM Admin. Fees	\$234	6%
Physicians	\$222	6%
Mental Health & Rehab	\$187	5%
Home/Community Based Waivers	\$171	4%
Disproportionate Share Payment	\$147	4%
Dental	\$124	3%
Others Services *	\$460	12%
Total:	\$3,947	100%



How Do We Compare to Other States?

- Services

- Indiana Medicaid provides 32 of 38 optional categories of service.
- Sixteen programs provide as many or more services than Indiana does.
- Eleven programs cover only 1 or 2 fewer services.
- Per capita Medicaid expenditures based on total population*: US = \$598 Indiana = \$489

Source: 2000 US Census Bureau and 2000 CMS MSIS data



How Do We Compare to Other States?

- Eligibility

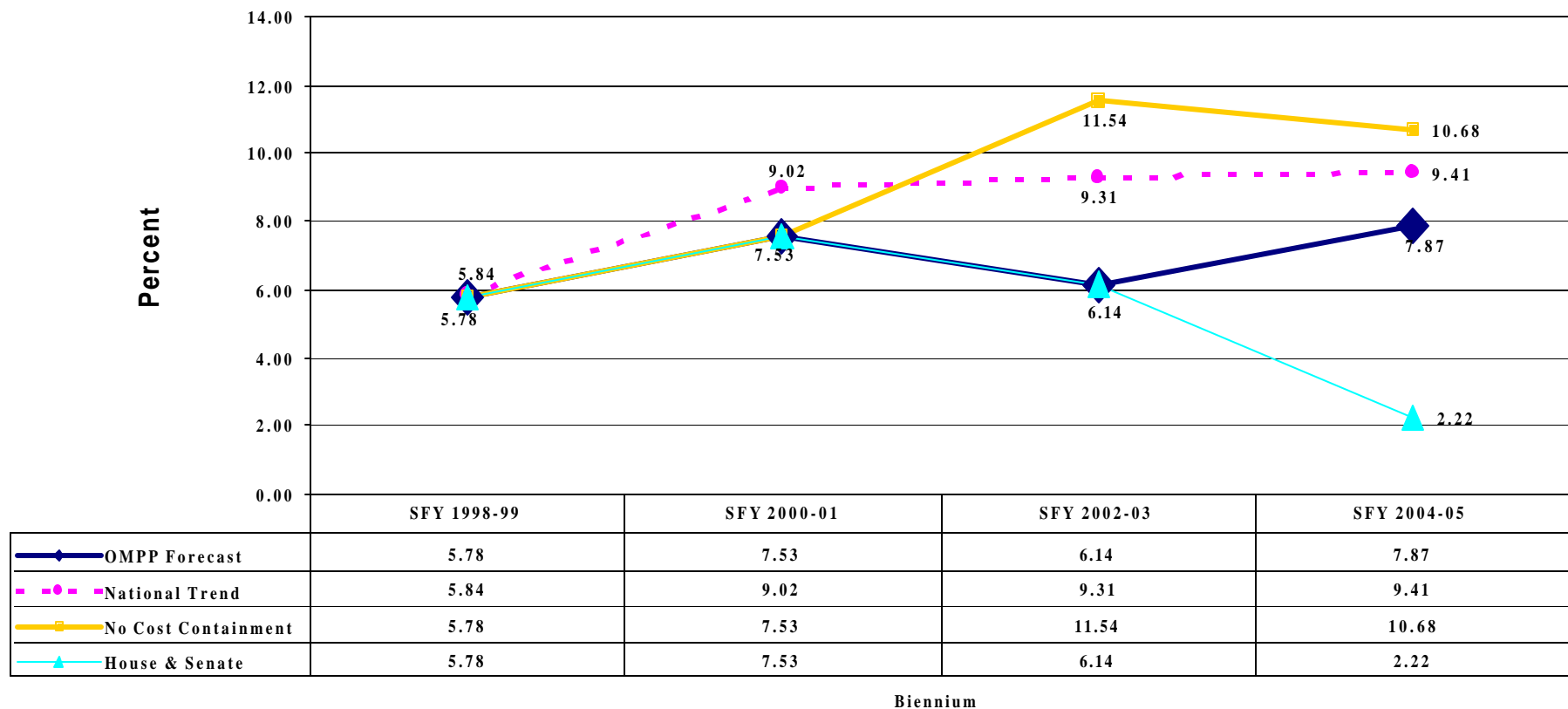
- Adults: eligibility is set at lowest allowed by federal law (\$2,548 annual income to qualify)
- Aged, blind, disabled: IN is one of only two states that does not use the Supplemental Security Income (SSI) disability definition
- Children: CHIP expanded eligibility to 200% FPL, consistent with other states' coverage



Medicaid Budget Overview

- By the end of the 2002-03 biennium, Medicaid will have saved \$250 million (state \$\$), representing a 10% reduction.
- Indiana Medicaid growth for 2004 and 2005 is projected to be 6.4% and 8.5% respectively, compared to 11% predicted nationally.

Indiana Medicaid Growth v. National Trend v. Current Legislative Proposal



Note: The percent growth represents the average annual growth for the biennium.



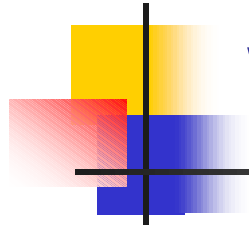
2004-2005 Budget Pressures

- FY05 expenditures projected to be \$4.7B (state and federal)
- Recently passed House & Senate Budgets freeze Medicaid at 2003 funding levels
 - The FY04-05 Medicaid forecast already includes \$355M in cuts.
 - Freezing at 2003 levels would require an additional \$263M (state funds) of cuts.
 - Total cuts would exceed \$600M (state funds) or \$1.6B total (state and federal funds).



04-05 Cuts Included in Forecast

- \$355M (state \$\$) included for 04 - 05
- Examples of cuts in Top 3 Cost Drivers:
 - Nursing Homes - \$99M (total = \$262M)
 - Examples of savings: Increasing minimum occupancy standard, eliminating inflationary adjustment
 - Pharmacy - \$64M (total = \$167M)
 - Examples of savings: Preferred Drug List, Prior Authorization, Limits on refills and days' supply
 - Hospital - \$51M (total = \$132M)
 - Examples of savings: Continued savings from 5% rate cut, decreased reimbursement for Medicare crossover claims



What Drives Medicaid Costs?

- Services
- Recipients
- Reimbursement



Optional Services

- Optional Service Expenditures = \$647M (FY02, state \$\$)
- Top 10 Services = \$618M, or 95% of total
- 5 of the top 10 are for Mentally Ill and Developmentally Disabled – 45% of total \$\$
- Feds and states are working together to encourage home and community based care
- If Medicaid does not fund this care, the state would have to provide in institutions – perhaps with 100% state funds



Top 10 Optional Services

Optional Services – FY02	Total \$\$	State \$\$
Prescription Drugs	\$638 M	\$242 M
ICF/MR Facilities	\$332 M	\$126 M
Mental Health Rehabilitation	\$180 M	\$68 M
Waiver Services	\$162 M	\$61 M
Dental Services	\$112 M	\$43 M
Durable Medical Equipment	\$67 M	\$26 M
Clinical Services	\$39 M	\$15 M
Mental Health Services	\$37 M	\$14 M
Transportation	\$32 M	\$12 M
Inpatient Psych Hospital (under 21)	\$28 M	\$11 M
TOTAL TOP 10 -	\$1.6 B (total)	\$618 M (state)



Optional Recipients

- Expenditures on optional recipients = \$27M (FY02, state \$\$)
- 70% of total, or \$19M, was for CHIP, which is not in the Medicaid appropriation
- The remainder of the optional aid categories represents only \$8M (\$27M - \$19M)



Optional Recipients

Optional Aid Category	Total \$\$	State \$\$
CHIP	\$69 M	\$19 M*
Children Age 18	\$6 M	\$2 M
ARCH for Aged, Blind, Disabled	\$5 M	\$5 M
Children <21 in inpatient psych facility	\$2 M	\$.9 M
Breast/Cervical Cancer Program	\$.7 M	\$.3 M
Wards not IVE eligible under 18	\$.06 M	\$.02 M
TOTAL	\$83 M	\$27 M

*Note: CHIP is funded by tobacco \$\$ and is not part of the Medicaid assistance appropriation

*MEDWorks not included because it began in FY03 so there is no FY02 data.



Medicaid Reimbursement

- On a composite basis, the Indiana Medicaid fee schedule is **67.7% of the Medicare fee schedule**.
- In a rate survey of HMOs*, the HMOs indicated their average physician reimbursement was 124% of the Medicare fee schedule.
- Preferred provider organization (PPO) networks generally reimburse at a higher rate than HMOs – estimated at 135-150% of the Medicare fee schedule.
- Traditional health insurers reimburse at usual and customary charges, which would exceed 150% of the Medicare fee schedule.

*Note: 2002 survey conducted by Milliman USA (7 HMO's responded)



Reimbursement Cuts

- One version of the budget would require Medicaid to make pro rata reductions.
- Across the board rate cuts would equal the following for FY04-05 combined (state \$\$):

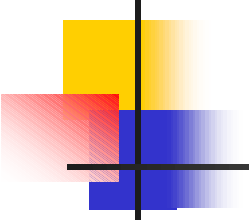
5% = \$105 M

7.5% = \$167 M

10% = \$228 M

12.5% = \$289 M

15% = \$350 M



Implications/Unintended Consequences of a Flat-Lined Budget

- Recipient Access Issues
- Decline in Health Outcomes
- Cost shifting to other parts of Medicaid and/or other parts of state budget
- Providers Drop Out of Program